DEPARTMENT OF ENVIRONMENT

COMMERCIAL REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2007

Provincial Auditor Saskatchewan

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SASKATCHEWAN

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Commercial Revolving Fund as at March 31, 2007 and the statements of operations and accumulated operating surplus, and changes in accumulated net expenditure (recovery) for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
June 20, 2007

Fred Wendel, CMA, CA
Provincial Auditor

Statement 1

COMMERCIAL REVOLVING FUND
BALANCE SHEET
As at March 31

	2007	2006
ASSETS		
Current assets:		
Accounts receivable (Note 8)	$ 568,228	$ 522,975
Due from General Revenue Fund	1,598,000	-
Inventories	1,227,181	943,951
Non-current assets:		
Accumulated net recovery (Statement 3 and Note 8)	-	599,570
	3,393,409	2,066,496
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Accounts payable (Note 8)	1,492,029	896,162
Non-current liabilities:		
Accumulated net expenditure (Statement 3 and Note 8)	1,530,125	-
Fund equity:		
Accumulated operating surplus (Statement 2)	371,255	1,170,334
	$ 3,393,409	$ 2,066,496

(See accompanying notes to the financial statements)

COMMERCIAL REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS
For the Year Ended March 31

	Budget (Note 7)	2007 Actual	2006 Actual
Revenues:			
Camping	$ 4,000,000	$ 4,315,851	$ 4,004,303
Cottage leases	2,100,000	1,782,094	1,930,535
Park entry	1,800,000	1,804,577	1,870,528
Other	400,000	588,684	698,861
Resource management leases	650,000	757,114	686,343
Commercial leases	420,000	464,927	424,552
Swimming and accommodation	300,000	385,578	376,104
Campfire permit fees	320,000	336,730	331,329
	9,990,000	10,435,555	10,322,555
Expenses:			
Salaries and benefits	9,918,000	10,806,563	9,628,330
Contractual services	2,050,000	3,344,366	2,440,120
Supplies and services	1,750,000	1,664,186	1,588,164
Travel and business	1,200,000	1,120,814	1,007,467
Communication	250,000	276,374	359,324
Equipment	200,000	15,998	16,029
Bad debt	-	22,209	130,512
Bank charges	60,000	82,024	81,957
Other	10,000	100	21,070
	15,438,000	17,332,634	15,272,973
Loss from operations	(5,448,000)	(6,897,079)	(4,950,418)
Subsidy from General Revenue Fund	5,448,000	6,098,000	5,006,600
Net (loss) income (Note 9)	$ -	(799,079)	56,182
Accumulated operating surplus, beginning of year		1,170,334	1,114,152
Accumulated operating surplus, end of year (Statement 1)		$ 371,255	$ 1,170,334

(See accompanying notes to the financial statements)

COMMERCIAL REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE (RECOVERY)
For the Year Ended March 31

	2007	2006
Financing required for (provided by) operating activities:		
Net loss (income)	$ 799,079	$ (56,182)
Net increase (decrease) in working capital items related to operations (Note 5)	1,330,616	(504,586)
Net financing required for (provided by) operating activities	2,129,695	(560,768)
Net increase (decrease) in financing requirement	2,129,695	(560,768)
Accumulated net recovery, beginning of year	(599,570)	(38,802)
Accumulated net expenditure (recovery), end of year (Statement 1)	$ 1,530,125	$ (599,570)

(See accompanying notes to the financial statements)

COMMERCIAL REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2007

1. Authority and Definition of Reporting Entity

The Commercial Revolving Fund (Revolving Fund) operates under the authority of Section 18 of *The Natural Resources Act*. The purpose of the Revolving Fund is to conduct commercial activities required for the promotion, development, and management of provincial parks. The Department of Environment administers the Revolving Fund.

2. Significant Accounting Policies

The financial statements are prepared using Canadian generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure (Recovery) and Note 5. The following accounting policies are considered significant.

a) Net Financing Requirements

The net financing requirement is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements resulting from net working capital changes and net cash flows from operations.

b) Accumulated Net Expenditure (Recovery)

The accumulated net expenditure (recovery) of the Revolving Fund includes the net increase (decrease) in financing requirements for each fiscal year.

c) Inventories

Resale inventory consists of maps, wildlife manuals, pins, and other miscellaneous items that are valued at the lower of average cost and net realizable value. Consumable inventory is valued at most recent cost and in general consists of equipment parts, fuel and oil, cleaning supplies, paint, plumbing supplies, building supplies, and firewood that meet or exceed a threshold of $10 per unit of measure.

d) Revenue Recognition

Revenues, other than lease revenues, are recognized when permits are issued and/or services are provided. Lease revenues are recognized when lease payments are due.

e) Subsidy from General Revenue Fund

The subsidy from the General Revenue Fund is recognized when received or receivable.

f) Use of Estimates

These statements are prepared in conformity with Canadian generally accepted accounting principles. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and

disclosure of contingent assets and liabilities at the date the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

3. Authorized Financing

Section 18(10) of *The Natural Resources Act* specifies that the maximum accumulated net expenditure, which may be outstanding at any time, will be set by order of the Lieutenant Governor in Council. A maximum amount of $4,000,000 was established by Order in Council 516/94.

4. Accumulated Operating Surplus (Deficit)

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus (deficit). If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus (deficit) for approval by Treasury Board. A plan may include, but is not limited to, payment of excess surpluses to, or request for additional funding from, the General Revenue Fund. Treasury Board has specified the limit for the accumulated operating surplus (deficit) as $350,000.

5. Net Change in Working Capital Items Related to Operations

	2007	2006
Increase (decrease) in accounts receivable	$ 45,253	$ (816,468)
Increase in due from General Revenue Fund	1,598,000	-
Increase in inventories	283,230	220,217
(Increase) decrease in accounts payable	(595,867)	91,665
Net increase (decrease) in working capital items related to operations	$ 1,330,616	$ (504,586)

6. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at agreed upon rates and settled on normal trade terms. These transactions at year end are as follows:

Category	2007	2006
Expenses:		
Contractual services	$ 1,301,279	$ 1,233,492
Travel and business	871,939	771,862
Supplies and services	59,465	45,096
Equipment	-	363
Due from General Revenue Fund	1,598,000	-
Accounts payable	226,332	291,827

In addition, the Revolving Fund pays Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

The Department of Environment is responsible for the acquisition of land for provincial parks. Therefore, land is not reflected in these financial statements. However, in accordance with *The Natural Resources Act* the Revolving Fund is credited with all rents and fees with respect to land.

In accordance with established Government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing, use of tangible capital assets and certain administrative costs. These costs have been absorbed by the departmental appropriations and therefore no provision for such costs is reflected in these financial statements.

Other transactions with related parties and amounts due to/from them, are described separately in the financial statements and the notes thereto.

7. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

8. Financial Instruments

Due to their immediate or short-term maturity, the fair value of accounts receivable, due from General Revenue Fund, and accounts payable approximates their carrying value.

The fair value of the accumulated net expenditure (recovery) has not been provided because it is not practicable to determine the fair value with sufficient reliability.

The Revolving Fund is exposed to credit risk from the potential non-payment of accounts receivable. An allowance for doubtful accounts is recorded for these accounts that are considered uncollectible. The Revolving Fund has recorded an allowance for doubtful accounts of $501,255 (2006 - $418,641).

9. Amount Reported in Public Accounts

The net expense of the Revolving Fund reported in the Public Accounts is the net (loss) income of the Revolving Fund adjusted for the following differences in accounting policies and other adjustments between the Revolving Fund and the General Revenue Fund:

	2007	2006
Net (loss) income	$ (799,079)	$ 56,182
Increase in inventories	(283,230)	(220,217)
Adjustment for capital items	-	(322,434)
Amounts not included in Public Accounts due to timing differences	(68,018)	(52,721)
Net expense reported in Public Accounts	$ (1,150,327)	$ (539,190)